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Allarco Developments Ltd.

ANNUAL REPORT 1969

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ALLARCO DEVELOPMENTS LTD.

Executive Offices: 618 Northgate Building, 10049 - Jasper Avenue.
Edmonton, Alberta.

Divisions

Real Estate

- i Income Producing Properties
- ii Land for Development

Automotive

- i Crosstown Motor City
- ii Devonian Motors
- iii Edmonton Car Rentals
- iv Edmonton Rent-A-Car
- v Mediac Diagnostic Clinic

Restaurants and Hotels

- i The Chateau Lacombe
- ii The Peter Pond Hotel
- iii The Edmonton Beachcomber
- iv The Calgary Beachcomber
- v The Victoria Beachcomber
- vi The Steak Loft and Old Bailey
- vii "Oliver's" Restaurant

Metropolitan Printing Company

Columbia Insurance Services

Farm Division

Subsidiary Companies

International Jet-Air Ltd.
Liftair International Ltd.
Chateau Mobile Homes Sales Ltd.

Abe's Auto Parts Ltd.
North West Trust Company
Radio Station CHQT Ltd.

Affiliated Companies

Redden Construction Ltd.
Citation Construction Ltd.
Fort George Hotel Ltd.
Clarendon Construction Ltd.
Blunt's Nursing Homes (1965) Ltd.

Va-Alta Incorporated
Matrix Exploration Ltd.
Pine Point Investments Ltd.
Pine Point Shopping Centre Ltd.

Joint Ventures and Partnerships

Park Royal Towers – Vancouver, B.C.
Hamilton – Ancaster, Ontario

Directors & Officers

Charles A. Allard M.D., F.R.C.S.(c), Chairman of the Board and President
Zane Feldman – Vice President
Frederick Newton Hughes – Partner, Richardson Securities of Canada
George Alexander Cameron Steer Q.C., – Partner, Milner and Steer
Morris Klimove – Vice President
John Cameron Allard – Secretary

Trustees for Debentures

Montreal Trust Company

Registrars and Transfer Agents

North West Trust Company
Montreal Trust Company

Stock Exchange Listing

Toronto Stock Exchange

Auditors

Alexander Kennedy Miller & Company, Edmonton, Alberta



C. A. Allard, M.D. F.R.C.S.(c)

PRESIDENT'S REPORT

This is our first annual report as a public company. The year ending October 31st was one of intensive organization, partly in preparation to become a public company. This was followed by the reorganization of accounting procedures and the consolidation of divisions which were previously separate companies. This work has proceeded well and will be completed during the current year so that Head Office will have control of the diversified operations and to some extent centralized control of subsidiary companies.

I am pleased to report that net income is up approximately 35% over the previous year to \$538,830.00. The cash flow was \$1,842,774.00 and after allowing for depreciation of \$829,373.00 and \$457,130.00 for deferred income taxes, the net profits amount to \$538,830.00 or 47 cents per share. The company does not expect to pay income taxes for the current year.

It is to be noted that approximately 83% of income came from sources other than developed real estate and land sales. It is obvious therefore that while your company has large real estate holdings and a large amount of land to be developed that the company's activities are by no means oriented only to the real estate business but includes a variety of commercial enterprises in Western Canada in addition to the development of land and real estate.

During the year your company entered into a joint development with Gulf Realty of Canada to manage the development of 1,155 acres immediately adjacent to Hamilton in the County of Ancaster, Ontario. Allarco Developments Ltd. does not own this land but participates with Gulf Realty in 50% of the profits to be derived from the development and sale of this extremely desirable residential and commercial land.

Your company has also increased its land holdings for development very considerably in the Edmonton area, where Head Office management is immediately available.

International Jet Air Ltd., (formerly Moore Aviation Ltd.), undertook and is completing the construction of 154,000 square feet of hangar space at Calgary International Airport. In addition there has been a considerable enlargement of maintenance staff and flight crews. These facilities will be available for servicing aviation requirements in Western and Northern Canada, as well as providing for the enlargement of the company's own flying operations.

During the year Matrix Exploration Ltd. began the search for minerals and oil deposits in a modest way. Your company holds 432,000 shares of Matrix Exploration Ltd., amounting to 28% of the outstanding stock.

In 1969, your company acquired an additional 25% interest in Radio Station CHQT, which is now a subsidiary of Allarco Developments Ltd.

Your company this year acquired the remaining 50% of Devonian Leaseholds Ltd. which operates the Steak Loft and Beachcomber Restaurants in Edmonton, as well as owning the property on which the Steak Loft Building is situated. At this time the assets and liabilities of Devonian Leaseholds Ltd. have been consolidated with Allarco Developments Ltd. and the Steak Loft Restaurant and Beachcomber Restaurant now operate as divisions of Allarco Developments Ltd. With the acquisition of Devonian Leaseholds Ltd., Mr. M. Klimov was elected a Director of Allarco Developments Ltd., in charge of the Restaurant and Hotel holdings.

North West Trust Company has also had a very busy year from the point of view of re-organization and assimilation of the assets and liabilities of the former Alberta Fidelity Trust Company. This latter company had been operating at a substantial annual loss and the amalgamation together with the re-organization of accounting and the closing of branches required intensive work on the part of the staff at North West Trust under the direction of Mr. M. A. Miles, Executive Vice-President. I am happy to report that by their year-end most of this tedious work had been accomplished and the amalgamated companies will have operated at a profit. With the problem of rising costs of money this has been no mean feat.

It is the intention of your Directors to seek out opportunities in natural resource development and basic manufacturing where interesting and potentially profitable situations come to our attention.

As is usual in a growing company the most valuable assets are the people who make this growth possible and on your behalf I extend my grateful thanks to the Directors and employees of Allarco Developments Ltd. and to its subsidiary and affiliate companies.

Charles A. Allard

March 1970

President

Property Development

INCOME PRODUCING PROPERTIES

Allarco's revenue producing properties consist of apartments, office buildings, shopping centers, hotels and miscellaneous commercial properties. These are located in Edmonton, Calgary, Vancouver, Victoria, Winnipeg, Prince George, Pine Point and Fort McMurray. A large part of the income from these properties is derived from 1,517 wholly-owned apartment units and 509 apartment units in which your company holds a 50% interest. These are mostly located in high rise buildings, all of which have been constructed within the last seven years.

Presently under construction are two integrated commercial and apartment complexes. One of these, Cumberland House, in downtown Winnipeg, will have 256 suites in a 20 storey tower with 10,000 square feet of commercial rental space. The other in Vancouver's west end on Davie Street, will contain 216 apartment units with 40,000 square feet of commercial space. Both of these projects will be completed in 1970.

In the advance planning stages are a commercial shopping center of 55,000 square feet in southwest Calgary, a shopping center in Edmonton and several condominium projects in Edmonton and Calgary.

The dual use of land for apartment and commercial development has proved very successful. Apartment dwellers apparently appreciate the shopping conveniences and commercial tenants benefit from an adjacent market.

Allarco Developments Ltd. has in total 300,000 square feet of rentable office space and rentable retail space. In Winnipeg the company has three office buildings adjacent to the new "Lombard Place" in the downtown area which provides 125,000 square feet of office space together with a parkade which will accommodate 330 cars. These buildings have been completely renovated and modernized in recent years and are fully occupied.

Management of all Allarco's commercial and apartment buildings is provided by North West Trust Company.



Park Royal Towers, Vancouver – 507 Suites – completed 1968.



Regency Apartments, Winnipeg – 406 Suites – completed 1964.

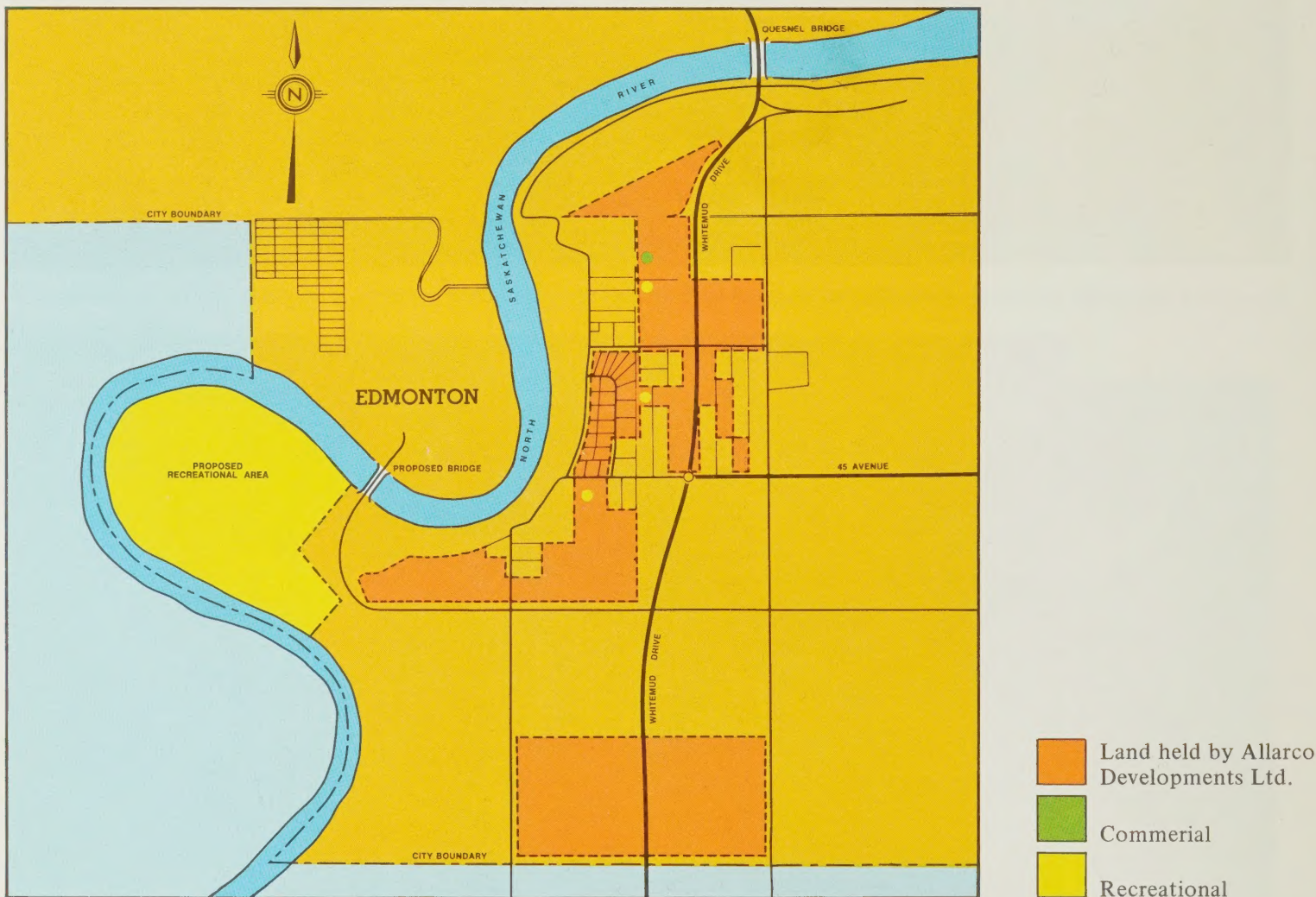


Oliver Place, Edmonton – 234 Suites – 39,000 sq. ft. commercial – completed 1969.

Property Development

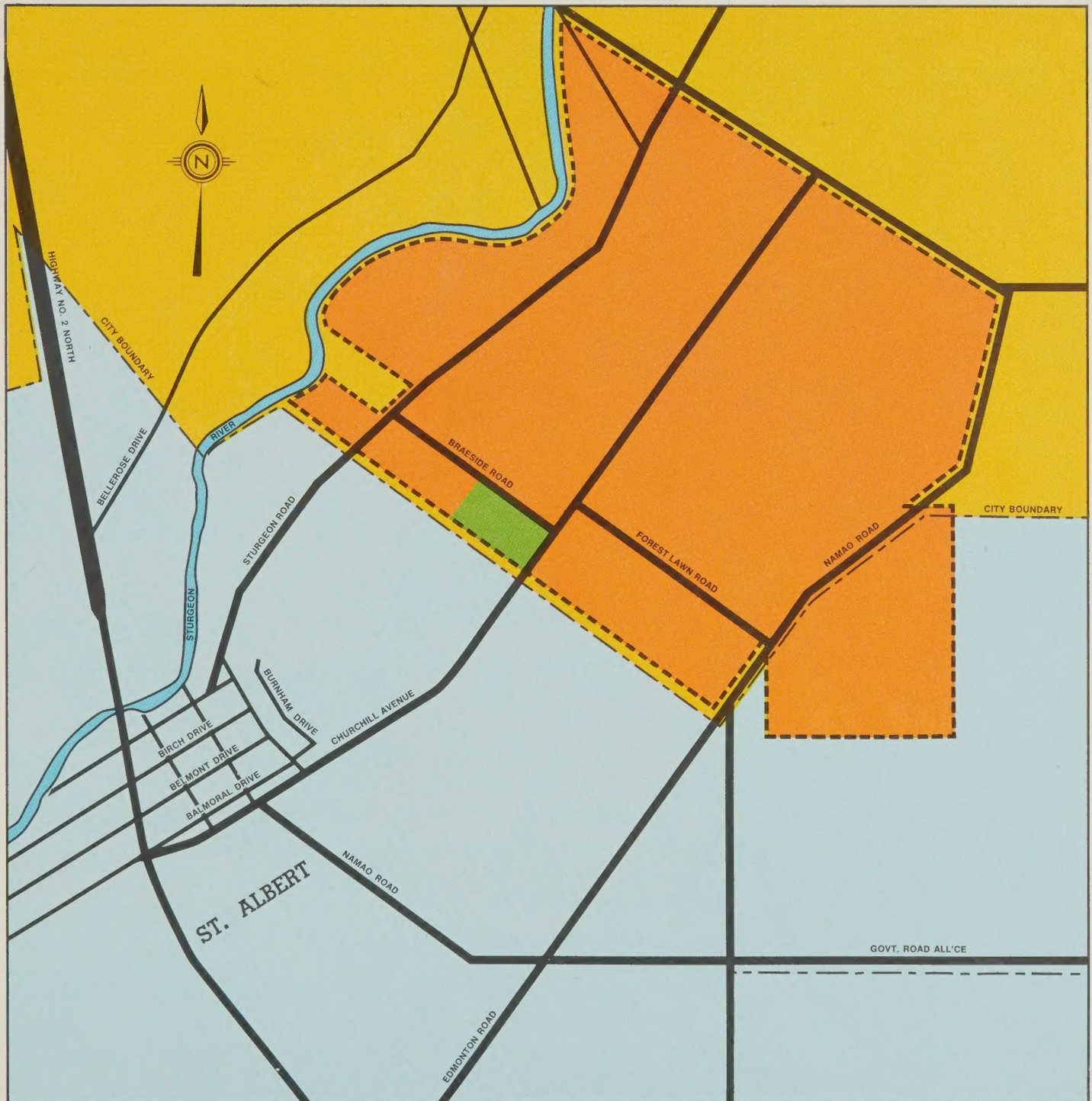
LAND HELD FOR DEVELOPMENT

Allarco holds large areas of land for development in Edmonton, Alberta, one of the fastest growing cities in Canada. Edmonton's population has more than doubled since 1955 and continues to grow at an ever increasing rate. For the fifth consecutive year metropolitan building figures established new records. Construction in the Edmonton area has exceeded seven hundred million dollars in six years. At the projected rate of growth your company's land should provide attractive opportunities over the next two decades for development. Edmonton land holdings fall into two principal groups. The main one is comprised of land in suburban Edmonton, presently undergoing development or slated for comprehensive development in the near future. The other principal group is land held for development in downtown core areas for future commercial and high rise development.



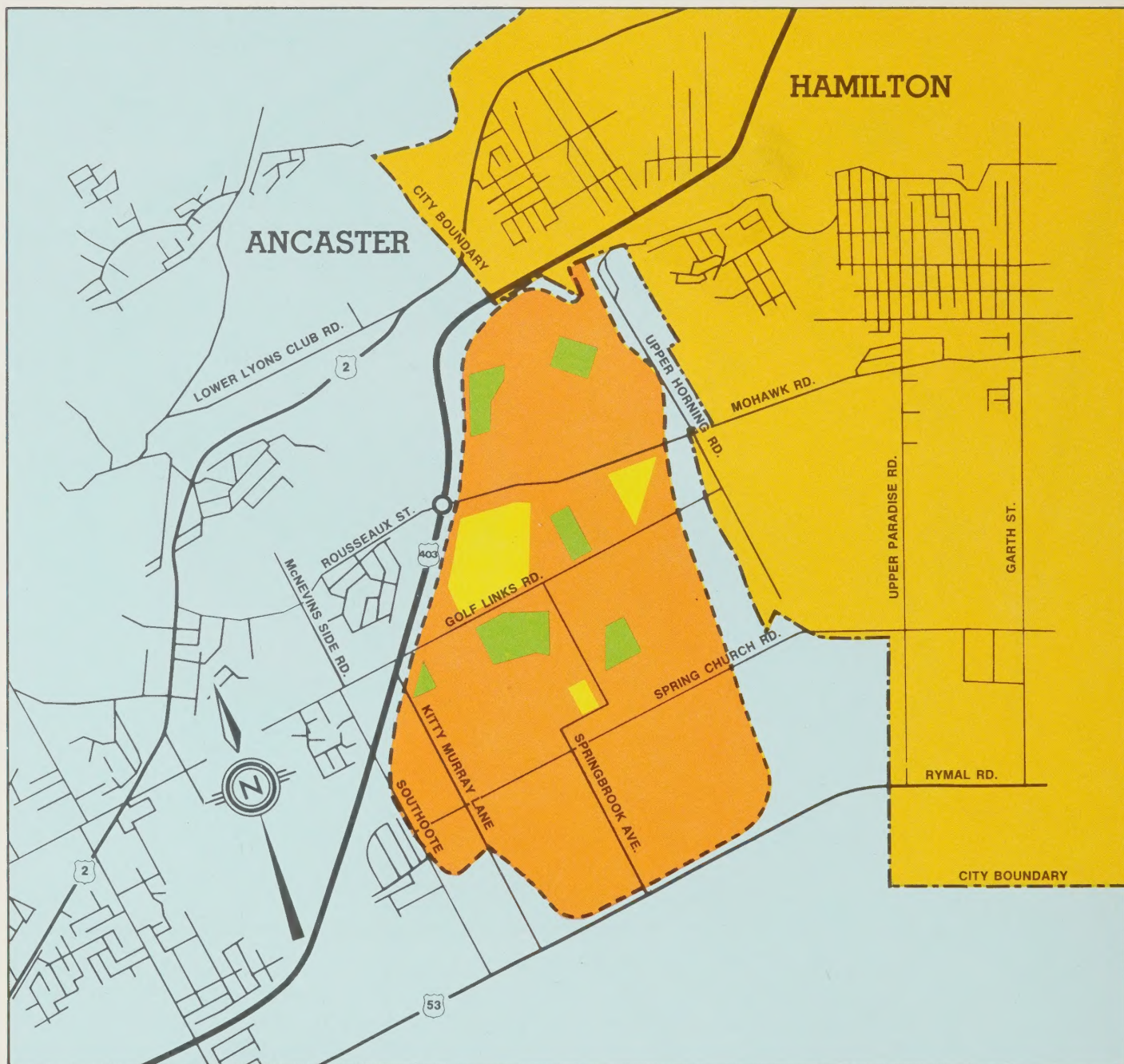
Southwest Edmonton — Your company holds about 687 acres presently under development which is expected to continue until the area is fully developed. This land is in the center of a community planned for 90,000 persons over the next twelve years. This community will be free of industry and consists of several neighborhoods, and a town center, including a large regional shopping center. It is proposed that this area will be linked to the downtown area by a rapid transit system. Allarco expects to develop both commercial and multi-residential buildings on this undeveloped land. Many of the single family lots will be developed by Clarendon Construction for sale to the single family home owner.

St. Albert, Alberta — Your company has under option approximately 900 acres of land adjacent to the Town of St. Albert which lies just north of Edmonton. It is proposed to develop this 900 acres for single family homes, medium density residential development, and small neighborhood shopping centers. St. Albert has been chosen as the location for a new university which will house 25,000 persons and which is scheduled to be opened in the summer of 1973.



Northeast Edmonton — Your company has assembled approximately 274 acres in northeast Edmonton for future residential development. The land lies just outside the City Limits and is favourably located in relation to the direction of the future growth of the City of Edmonton.

Hamilton, Ontario — The company has agreed to act as developer for 1,155 acres in the County of Ancaster, adjoining the City of Hamilton. Allarco together with Gulf Realty, a subsidiary of Gulf Oil Canada Limited, has agreed to develop this land on behalf of the owners for a 50% interest in profits generated from the sale or development of the land. This highly desirable residential area is being planned as a comprehensive development probably to be annexed to the City of Hamilton in the near future. The area is serviced by Highway 403, which provides easy access to downtown Hamilton and to the City of Toronto.



Puerto Vallarta — Allarco has acquired a 76 acre parcel of beachfront land in Puerto Vallarta, Mexico. This consists of one mile of beautiful beach frontage in this rapidly growing resort city with its attractive climate, and which is readily accessible by air to Western Canada and the Western United States.

Financial



*Mr. M. Adam Miles,
Executive Vice-President,
North West Trust Company.*



NORTH WEST TRUST COMPANY

Mr. M. Adam Miles, an economist, was recently appointed Executive Vice-President of North West Trust Company. In the last eleven years Mr. Miles has organized the setting up of two trust companies and has been associated with the trust industry for all these years.

In 1958 Dr. C. A. Allard activated the dormant North West Trust Company and gradually guided the growth of the company to its present size. There are nine branches in addition to the head office and over \$50,000,000 in deposits.

In 1969 control of Alberta Fidelity Trust Company was acquired and it was merged into the North West Trust Company. At present North West Trust Company has over \$100,000,000 in assets under administration. During reorganization, necessitated by the merger, operations have been streamlined and it is expected that a substantial profit will be made in 1970. The range of services provided by the company is extensive with special references to real estate, property management and mortgage activity.

Allarco Developments Ltd. owns 64% of Class "A" Common Shares (voting) and has subscribed for an additional \$1,000,000 of these shares. It also owns 14% of the First Preferred Participating Shares. The First Preferred Participating Shares are listed on the Calgary Stock Exchange and the Class "A" Common Shares will also be listed as soon as the present capital reorganization is completed.

Automotive



Mr. Zane Feldman

CROSTOWN MOTOR CITY COMPLEX

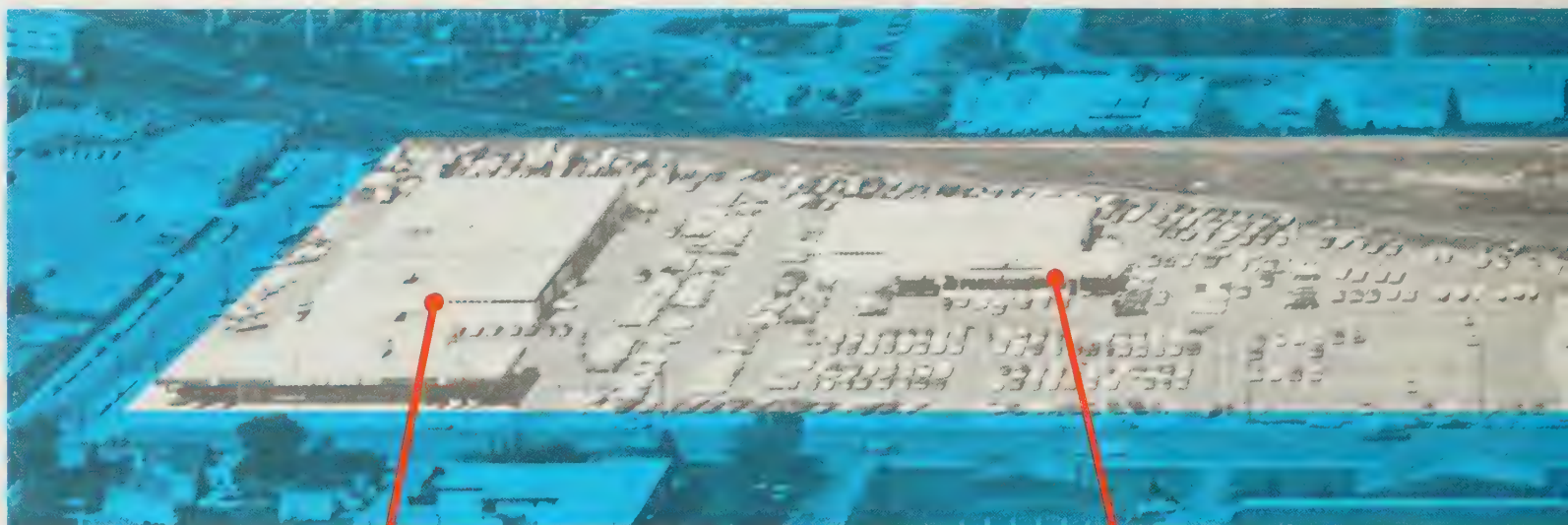
The Automotive Division managed by Mr. Zane Feldman, Vice-President of Allarco Developments Ltd., has always been one of the largest contributors to corporate profits. Crosstown Motor City is the largest division in the automotive group and is located on a ten acre site on a main Edmonton thoroughfare. Crosstown Motor City has grown from a modest operation to the largest Dodge, Chrysler Dealership in Canada, with more than 200 employees and a sales volume exceeding one million dollars per month.

In 1968 and 1969 Crosstown Motor City was the largest Chrysler parts distributor in Canada. Its service department is equipped to handle cars and trucks with a separate section for the reconditioning of used cars.

The main building on the Crosstown Motor City site is a 50,000 square foot single storey structure which contains office facilities and a huge glass-walled air-conditioned showroom with a display area for new automobiles.

The service department with 43 stalls spread over 25,000 square feet, provides one-stop service for repairing of automobiles and trucks using the most modern equipment and factory trained technicians.

The nerve center of the service department is an electronic control tower which guarantees prompt, efficient and "Quality Controlled" service, a trademark of the complex. By glancing at an electronic control board in the tower an attendant knows



New Car Showroom & Main Service Center.



Used Car Sales Area

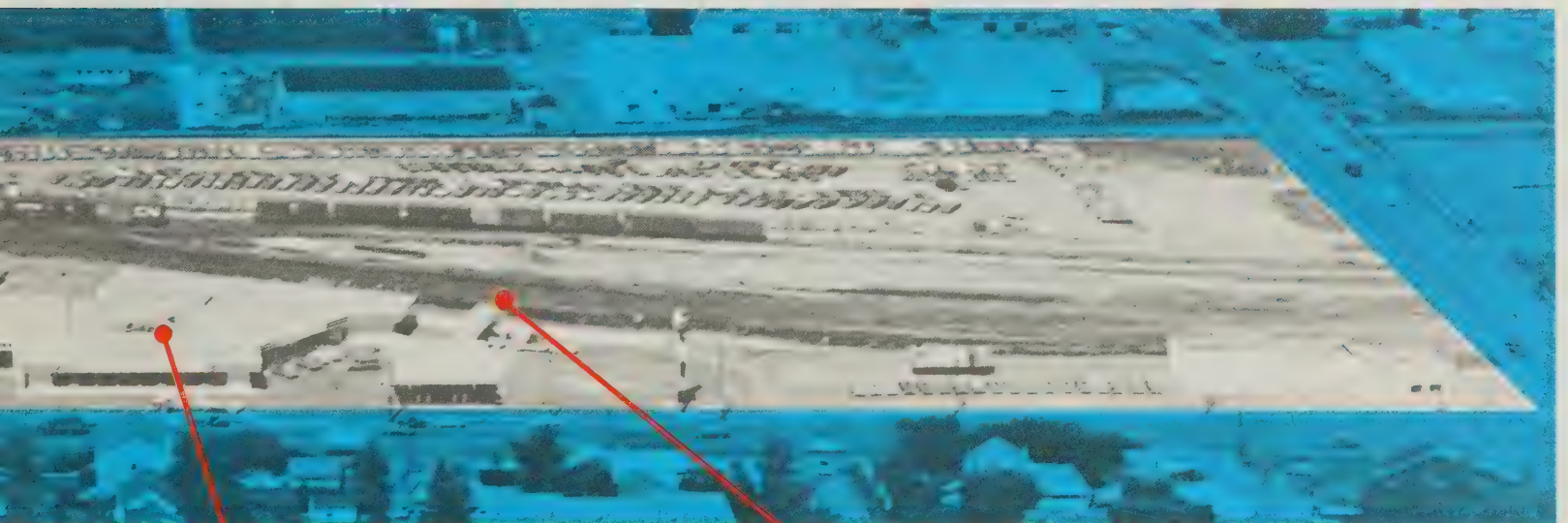
instantly what progress has been made on a customer's vehicle.

In the paved lot surrounding the reconditioned car department's sales office, a stratosphere apart from the usual used car lot, there are more than 200 models on display from which a selection may be made. Vehicles are rigidly reconditioned to carry a twelve-month warranty.

Crosstown Motor City also operates a body shop equipped with the latest body repair equipment including drive-through painting and baking units. Newly painted vehicles are dried in 20 minutes in the modern infra-ray baking oven.

Also located on the same site is the \$1,500,000 Mediac Diagnostic Clinic, developed in co-operation with Gulf Oil Canada Limited. It is one of the largest electronic vehicle diagnostic service centers in Canada. The center is designed to handle up to eight cars per hour and 200 tests are made on a vehicle as it passes along the 110 foot diagnostic lane. Customers may observe their car's performance during testing and read the results on a panel provided for that purpose in a customers lounge overlooking the diagnostic lane. If repairs are necessary, a customer may have them done in the Mediac Service Shop.

In addition to supplying all services common to the modern service station, the center also includes a fully automated car wash, capable of handling 150 cars per hour. There is also a retail outlet for automotive accessory equipment and automotive sports equipment.



Diagnostic Clinic



Automatic Car Wash.

Automotive

DEVONIAN MOTORS

This division of Allarco Developments is the franchised dealer for American Motors, Volvo (Canada) Ltd., Fiat and Willys Jeeps. Devonian Motors carries a full line of parts and offers the most up-to-date servicing facilities. It is well located at 114 Street and Jasper Avenue, Edmonton. During the year additional land has been acquired to expand this dealership facility.



Devonian Motors Ltd., Jasper Avenue, Edmonton.

EDMONTON CAR RENTALS

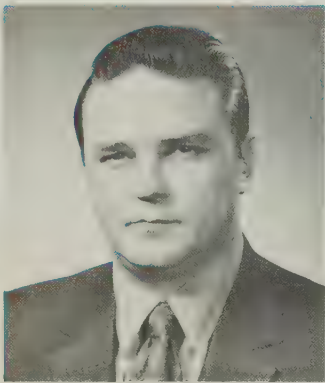
This company has been actively involved in automobile leasing since 1964 and also operates a driving school. At the present time approximately 350 vehicles of various makes are leased on a contract basis to individuals or companies. The company is located on land owned by Allarco at 120 street and 104 Avenue, Edmonton.

CHATEAU MOBILE HOMES SALES LTD. (75% controlling interest by Allarco Developments Ltd.)

This company which was recently set up is engaged in the sale of mobile homes, and has acquired the Windsor and Muttart franchises for Alberta. The company leases six acres of land on Edmonton's south side for its operation.

The business in which the company is engaged is rapidly expanding and it is envisaged that the profits will be substantial for the coming year.

Publishing and Communication



Mr. R. Kosowan
General Manager
Metropolitan Printing
Company

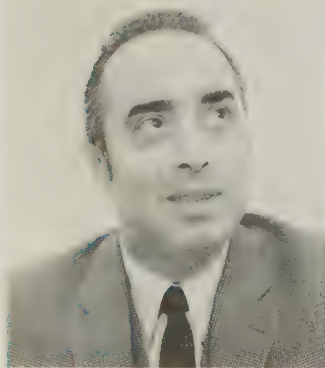
METROPOLITAN PRINTING COMPANY.

Metropolitan Printing Company is engaged in commercial printing in the City of Edmonton. An extensive modernization program was carried out in 1969 replacing all outmoded equipment with new highly sophisticated lithography and letterpress equipment.

A new engraving camera, capable of producing four color separation negatives and a Heidelberg Rotaspeed four color press were purchased. The decision to purchase this equipment came after a study revealed that a great deal of color printing was being purchased outside the Province of Alberta. Metropolitan Printing is now capable of producing color brochures, books and maps of the highest quality. The firm also has a business forms press capable of producing all types of snap out forms. The plant building was built in 1967 and has an operating area of 15,000 square feet. The company is managed by Mr. Roger Kosowan, who is experienced in all aspects of commercial printing. Recently a new dynamic sales force and plant personnel were brought in from across Western Canada to produce a substantial increase in sales volume in 1970, particularly in the area of multicolor printing.



Heidelberg Rotaspeed 28" x 40" Four Color Offset



Mr. Lew Roskin,
President,
Radio Station CHQT Ltd.

RADIO STATION CHQT LTD. (75% controlling interest by Allarco Developments Ltd.)

Radio Station CHQT Ltd. commenced broadcasting in 1965 and is one of five English language commercial radio stations in Edmonton.

The growth of any broadcasting station is measured by its business activity, internal developments and its acceptance by the consumer. In all areas, CHQT has moved ahead strongly.

With the installation of some unique automated equipment, designed and built entirely by CHQT engineers, programming has been extended to 24 hours a day with a power of 10,000 watts. As well as developing greater listener satisfaction, additional revenues have been created in the extended period.

CHQT's ratings have shown continued improvement, and earnings reflect a substantial increase. Programming consists of limited talk, limited commercials, "quality" popular music, news and good information features. It has received the Dan McArthur Award of Merit for excellence in radio news documentaries, and its hard-hitting "Fight Pollution" campaign has gained strong local and national recognition.

Under the management of Mr. Lew Roskin, whose experience in the broadcasting industry totals 27 years, CHQT is gearing for its most productive year in 1970.

Aviation



*Mr. R. T. Moore, Vice-President
International Jet Air Ltd.*

INTERNATIONAL JET AIR LTD. (76% controlling interest by Allarco Developments Ltd.)

Management is under Mr. Roy T. Moore, who founded the company in 1963 as Moore Aviation Ltd. The name was changed to reflect the company's expanded scope of operations, particularly in the field of jet aircraft. Mr. Moore has 22 years of experience in aviation, management and administration. The company has offices in Calgary, Edmonton and Vancouver. International Jet Air Ltd. has three major fields of activity: aircraft charter, sales, and service.

The company operates a fleet of high-speed pressurized jets for charter service, including two Jet Commodores and one Grand Commander. The company has a Canadian Class 4B Air Transport License which permits non-scheduled public air carriage with piston, turbo-prop and jet aircraft of executive size. It also has an unrestricted U.S. license, permitting the company to fly this same type of aircraft anywhere in the United States as a non-scheduled public air carrier.

International Jet Air Ltd. has applied to the Air Transport Board for a license to operate a scheduled passenger service between Calgary/Edmonton and Chicago. Economic studies on this route show that an aircraft such as a Boeing 720B operating this run could be supported.

The company has also secured a contract for crewing, operation and maintenance of a Lockheed Electra cargo freighter aircraft with Panarctic Oils Ltd., who lease the Electra from Allarco Developments Ltd. Panarctic



The Jet Commodore

Oils Ltd. is engaged in an extensive High Arctic. In addition to flying, carrying up to 30,000 pounds of the northern drilling sites.

Your company has also acquired the other on the Panarctic contracts in the Mackenzie River Arctic.

International Jet Air is also the Commander aircraft, and for Israel (factures the Jet Commodore). The tronic navigational equipment.

The company leases a 44,000 square Airport and it recently completed the southern Alberta city which space. The fireproof hangar provides facilities, and is the only building



Lockheed Electra, In the background is part of the new 154,000 square foot hangar.



exploration program in Canada's
gers, the aircraft is also capable of
between Calgary/Edmonton and

and Lockheed Electra to back up
and also to supply other charter
and other sections of the Canadian

Canadian distributor for Aero
craft Industries Ltd. (which manu-
pany also sells and installs elec-

ot hangar at Calgary International
ruction of a \$1,200,000 hangar in
es 154,000 square feet of hangar
modern storage and maintenance
ne province able to accommodate

large aircraft such as the Boeing 737's, DC 9's or even a stretched DC 8. It offers a waiting room sufficient to accommodate 100 passengers. It is anticipated that these new facilities will lead to a substantial increase in service and maintenance contracts.

LIFTAIR INTERNATIONAL LTD.

In the spring of 1969, International Jet Air acquired a 66% interest in a commercial helicopter firm, Spartan Helicopters, and its name was changed to Liftair International Ltd.

Liftair, which has bases at Timmins, Inuvik, Hay River and Calgary, is engaged in a variety of work, primarily in the oil industry. It owns and operates five Bell helicopters—noted for their fine performance—and operates two more under lease. Liftair plans to acquire a further two helicopters in 1970 as part of a growth program.

The offices, service department and all maintenance facilities of Liftair have been consolidated in the hangar complexes of International Jet Air Ltd.



Liftair's Bell Helicopter

Restaurants and Hotels



Mr. Morris Klimove

Management of this division has been consolidated under the direction of Mr. M. Klimove who was elected a Director of Allarco Developments Ltd., during the past year. Mr. Klimove is a Commerce graduate from the University of Alberta and brings sixteen years of successful restaurant and hotel experience to your company.

During the year Allarco acquired the remaining 50% of Devonian Leaseholds Ltd., which owned the Edmonton Steak Loft and the Edmonton Beachcomber. The restaurant division is one of Allarco's fastest growing divisions and now contributes substantially to the corporate earnings.

The Edmonton Steak Loft, opened in 1959, is one of Canada's most successful and popular specialty restaurants. The Old Bailey Lounge, added in 1967, offers an authentic old-country English atmosphere.

Oliver's restaurant, which was opened in October 1969, introduced gourmet dining to Edmontonians at reasonable prices. The idea has caught on so fast that it has been decided to open numerous outlets across Canada in the near future, operating under the same name and principles. The next operation to open will be in Winnipeg and should be ready for operation in the latter part of 1970.

Allarco's restaurant operation is further diversified with three highly successful Beachcomber Polynesian Restaurants, in Calgary, Edmonton and Victoria. The largest, in Calgary, has a seating capacity of more than 500 persons. Opened in 1966, it was expanded three years later due to increased patronage. The Edmonton Beachcomber, completed in 1963, is located in the heart of the downtown area and enjoys an ever increasing following.



Steak Loft and Old Bailey, Edmonton.



Beachcomber Polynesian Restaurant, Edmonton



Chateau Lacombe, Edmonton – 330 rooms.

Your company also owns the 24 storey Chateau Lacombe, considered Edmonton's finest hotel. Opened in 1967, this impressive circular hotel is operated by Canadian Pacific Hotels. It features La Ronde, a unique revolving rooftop restaurant which offers intimate dining with an unparalleled panorama of the city and the river valley.

Allarco's interest in the development of the Canadian North resulted in further hotel expansion. The Peter Pond Hotel was opened in 1966 in Fort McMurray, Alberta, in the heart of the rich Athabasca oil sands. The Pine Point Hotel in the Northwest Territories was opened to the public in 1967. Allarco has a 50% interest in this operation. As Canada's North is further developed these hotels will play an increasingly important role. Another recent acquisition by your company was the purchase of the Edmonton Coachman Inn. The Inn will be leased by the Commonwealth Holiday Inn group, who will renovate the hotel to reflect their international image.

The company is also investigating Mexican holiday resort areas for additional restaurant and hotel development.

A new 750 room hotel is planned for Vancouver. A full report on this major hotel and convention center development will be released in the near future.

The future of the restaurant and hotel group is extremely bright, and Allarco will actively pursue new opportunities for expansion in this field.

Non Consolidated Investments



*Mr. R. C. Redden,
President,
Redden Construction Ltd.*



Davie Street Development, Vancouver – 216 Suites – 40,000 sq. ft. of commercial area.

REDDEN CONSTRUCTION LTD. (50% held by Allarco Developments Ltd.)

Since incorporation in 1963, Redden Construction Ltd. and its subsidiary, Citation Construction Ltd., have completed projects valued at more than \$40,000,000. Although the majority of these contracts have involved high rise apartments, the firm also has handled a variety of smaller projects. These contracts have ranged from small frame or masonry apartments through to hospitals and other competitively-tendered government contracts, to restaurants, office buildings, aircraft hangars and condominium apartment units.

Contracts already in hand for 1970 include a 42 unit condominium in Sherwood Park, Alberta, and a \$2,000,000 high rise condominium in Seattle, Washington.

CLARENDON CONSTRUCTION LTD. (50% held by Allarco Developments Ltd.)



*Mr. R. E. West, President,
Clarendon Construction
Ltd.*

This company is engaged in the construction of residential properties in the \$35,000 - \$45,000 range, and has made impressive progress since its inception in 1966.

Gross annual sales—in the City of Edmonton—have increased from \$465,000 in the first year of operation to more than \$2,000,000 in 1969.

In line with its policy of expanding its market growth, Clarendon Construction opened a branch operation in Calgary in April 1969. It is anticipated that with Calgary being one of the most rapidly expanding cities in Canada that there will be an ever expanding market for single family houses.

The company views the outlook for home building in Canada with considerable optimism. The Economic Council of Canada has set 250,000 housing units as a minimum requirement per year over the next decade. This represents 50,000 units more than the industry's best year in 1969.

With the ever increasing demand for multiple residential condominium units Clarendon Construction is gearing itself to fulfil these needs.

BLUNT'S NURSING HOMES (1965) LTD. (40% held by Allarco Developments Ltd.)



Blunt's Nursing Homes operates 9 nursing homes in Alberta, located at Athabasca, Bonnyville, Edmonton, Lethbridge, Fort McLeod, Leduc, Mayerthorpe, St. Paul and Viking. The Lethbridge home was acquired in May of 1969 for cash and mortgages. The homes have a total capacity of 548 beds and operate at full occupancy. During 1969 the Edmonton and St. Paul homes were expanded to meet the high demand for these facilities. For the ten-month period ended October 31, 1969 the company reported a net profit of \$133,000 of which only \$2,000 is reflected in Allarco earnings by way of dividends.

Non Consolidated Investments

INN OF THE NORTH, PRINCE GEORGE, BRITISH COLUMBIA (50% owned by Allarco Developments Ltd.)

This modern hotel leased to Delta Hotels, is the most up to date in Prince George. The building which was completed in 1967 has 40 hotel rooms and a restaurant seating capacity of 230. The company reported a net profit for the year ending September 30th, 1969 of \$76,346.40 of which \$25,000.00 was reflected in Allarco Development's earnings.



The Inn of the North - 40 rooms.



NATURAL RESOURCES

Allarco is the single largest shareholder of Matrix Exploration Ltd., a company which during 1969 engaged in prospecting and surveying uranium prospects close to Uranium City, Saskatchewan. The company is owned 28% by Allarco Developments Ltd. The geologist reports indicate the presence of two commercial uranium ore bodies. No portion of the Matrix operation is reflected in Allarco's earnings.

Your company also has a 35% interest in oil and gas leases covering 8000 acres on a foothills structure known as Sherman Flats, which is located southwest of Grande Prairie, Alberta. The company hopes to complete drilling arrangements on this property within the next year.

ALEXANDER KENNEDY MILLER & Co.
CHARTERED ACCOUNTANTS

CALGARY — EDMONTON — MONTREAL — TORONTO — VANCOUVER — WINNIPEG

ASSOCIATED FIRMS IN
GREAT BRITAIN, EUROPE
UNITED STATES, SOUTH AFRICA
AUSTRALIA, WEST INDIES

204 FINANCIAL BUILDING
10621-100TH AVENUE
EDMONTON 14, ALBERTA
TELEPHONE 422-1178
AREA CODE 403

To the Shareholders of
Allarco Developments Ltd. and Its Subsidiaries,
Edmonton, Alberta.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Allarco Developments Ltd. and its subsidiaries as at October 31, 1969 and the consolidated statements of operations, retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, with the exception of the changes referred to in Note 3 to these financial statements.

Alexander Kennedy Miller & Co.

Edmonton, Alberta,
January 30, 1970.

Chartered Accountants

ALLARCO DEVELOPMENTS LTD.
and its Subsidiaries

Consolidated Balance Sheet
October 31, 1969

<u>Assets:</u>	<u>1969</u>	<u>1968</u>
Cash	\$ 562,451	278,615
Accounts receivable	1,955,028	1,682,633
Inventories and prepaid expenses -at cost - (Note 4)	5,507,697	3,964,167
Loans and agreements receivable (Note 5)	959,638	501,945
Land for development - at cost (Note 6)	4,011,868	3,489,876
Natural resources - at cost	172,159	129,100
Investments - at cost - (Note 7)	2,122,057	1,114,946
Land, property, plant and equipment - at cost less accumulated depreciation \$2,578,281 (1968 - \$1,740,879) (Note 8)	38,124,750	33,820,993
Deferred expenses, other assets and excess of cost of investment in shares of subsidiaries over book value of net assets (Note 9)	768,344	250,465

Approved on behalf of the Board

Charles A. Allen Director

Jane Feldman Director

\$	<u>54,183,992</u>	<u>45,232,740</u>
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(The accompanying notes form an integral part of these statements and should be read in conjunction therewith)

Liabilities:

	<u>1969</u>	<u>1968</u>
Bank advances (Note 10)	\$ 676,603	2,320,841
Accounts payable and accrued expenses	6,562,694	5,578,920
Advances from unconsolidated subsidiary	-	1,251,548
7% Convertible Sinking-Fund Debentures Series "A" (Note 11)	5,000,000	-
Mortgages and agreements payable-secured (Note 12)	31,443,913	29,637,311
Debentures and notes payable-secured (Note 13)	2,846,119	3,190,285
Due to affiliated companies on construction contracts	1,037,056	774,823
Minority shareholders' interest	6,534	(14,519)
Deferred income taxes payable (Note 3)	<u>673,541</u>	<u>183,369</u>
Total liabilities	<u>48,246,460</u>	<u>42,922,578</u>

Shareholders' Equity:

Capital Stock (Note 14)		
Issued and fully paid	3,520,202	202
Retained Earnings	<u>2,417,330</u>	<u>2,309,960</u>
Total Shareholders' Equity	<u>5,937,532</u>	<u>2,310,162</u>
	<u>\$ 54,183,992</u>	<u>45,232,740</u>

(Referred to in the accompanying report of Alexander Kennedy Miller & Co., Chartered Accountants, dated January 30, 1970)

ALLARCO DEVELOPMENTS LTD.

and its Subsidiaries

Consolidated Statement of Operations
For the Year ended October 31, 1969

	<u>Automotive</u>	<u>Hotel and Restaurant</u>
Income	\$ 14,968,555	6,162,728
Cost of Sales, Operating Expenses and Interest	<u>14,135,101</u>	<u>5,589,514</u>
Net Divisional Profit	<u>\$ 833,454</u>	<u>573,214</u>
Head Office Expense		
Debenture Interest		
Net Profit before the Undernoted Expenses		
Depreciation (Note 3)		
Provision for Deferred Income Taxes less Adjustments		
Minority Shareholders' Interest		
Net Profit for the Year		
Earnings per average share outstanding		
Cash flow per average share outstanding		

<u>Real Estate</u>	<u>Aviation</u>	<u>Other</u>	<u>1969 Total</u>	<u>1968 Total</u>
4,877,811	1,770,169	1,131,267	28,910,530	25,174,979
4,304,283	1,595,431	1,114,203	26,738,532	23,492,544
<u>573,528</u>	<u>174,738</u>	<u>17,064</u>	2,171,998	1,682,435
			187,230	192,245
			<u>141,994</u>	<u>—</u>
			<u>329,224</u>	<u>192,245</u>
			<u>1,842,774</u>	<u>1,490,190</u>
			829,373	714,516
			457,130	345,365
			<u>17,441</u>	<u>31,643</u>
			<u>1,303,944</u>	<u>1,091,524</u>
			<u>\$ 538,830</u>	<u>398,666</u>
			\$.47	.40
			\$ 1.61	1.49

ALLARCO DEVELOPMENTS LTD.
and its Subsidiaries

Statement of Source and Application of Funds
For the Year ended October 31, 1969

Source of Funds:

Operations:

Net Profit for the year	\$ 538,830
Add items not requiring an outlay of cash:	
Depreciation	829,373
Deferred income taxes	457,130
Minority shareholders' interest	17,441
	<u>1,842,774</u>
Collection of loans and agreements receivable	107,980
Sale of Investments	99,786
Other	33,043
Issue of 7% Convertible Sinking Fund Debentures Series "A"	5,000,000
Issue of Common shares	3,520,000
Increase in mortgages, notes and agreements payable	4,285,615
	<u>14,889,198</u>

Application of Funds:

Increase in advances receivable	1,128,582
Investments acquired	129,354
Increase in deferred expenses	517,879
Increase in fixed assets - net	5,568,598
Retirement of mortgages, notes and agreements payable	2,560,946
Organization costs	514,373
	<u>10,419,732</u>

Increase in Funds	\$ <u><u>4,469,466</u></u>
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Represented by:

Increase in cash	\$ 283,836
Increase in accounts receivable	272,395
Increase in inventories	1,543,530
Increase in loans and agreements receivable	457,693
Decrease in bank loans	1,644,238
Increase in accounts payable	(983,774)
Decrease in advances from unconsolidated subsidiary	1,251,548
	<u>\$ <u><u>4,469,466</u></u></u>

ALLARCO DEVELOPMENTS LTD.
and its Subsidiaries

Statement of Retained Earnings
For the Year ended October 31, 1969

Balance as at October 31, 1968	\$ 1,261,108
Add:	
Adjustment to prior years' depreciation	1,232,221
	<u>2,493,329</u>
Less:	
Deferred income taxes relating to prior years	183,369
Revised balance as at October 31, 1968	<u>2,309,960</u>
Add:	
Retained earnings attributable to previously unconsolidated affiliated companies	82,913
Net Profit for the Year	538,830
	<u>2,931,703</u>
Less:	
Organization costs written off	514,373
Balance as at October 31, 1969	<u>\$ 2,417,330</u>

Notes to Financial Statement
October 31, 1969

1. Consolidation.

The accounts of all subsidiary companies, with one exception, have been included in the consolidated financial statements. The one exception is North West Trust Company in which Allarco owned 63.8% of the common shares (voting) at October 31, 1969 (76.6% at October 31, 1968) and 14.4% of the first preferred participating shares (non-voting) at October 31, 1969 (14.1% at October 31, 1968) which entitles Allarco to 23.8% of the income (26.0%, 1968). The accounts of this company have not been consolidated because by the nature of its business such a consolidation would be misleading.

Affiliated companies in which Allarco owns 50% or less have not been consolidated and only the cost of these investments is included.

2. Changes in Classification.

Changes have been made in the classification of certain assets, the appropriate adjustments have been made to the previous years' figures for the purposes of comparison.

3. Changes in Accounting Policies.

(a) In 1969 the policy of providing for depreciation on buildings was changed from 2% straight line to the sinking fund basis, using 5% over fifty years. The estimated life of the buildings has not been changed by the adoption of the new method of depreciation. The accumulated depreciation and retained earnings have been adjusted for prior years to take account of this change which has been made retroactive to the date of acquisition of the asset.

(b) During the current year the policy of providing for deferred income taxes was adopted. The adjustment required for prior years has been shown on the statement of retained earnings.

4. Inventories and prepaid expenses relate to:

Automotive Division	\$ 4,575,504
Hotel and Restaurant Division	225,367
Revenue Producing Properties	358,292
Aviation Division	272,881
Other	75,653
	<u>\$ 5,507,697</u>

5. Loans Receivable include:

i) Amounts due in 1970	\$ 492,234
ii) Amounts receivable to 1984	467,404
	<u>\$ 959,638</u>

6. Land for Development

Land is stated at cost plus carrying charges which includes interest and real estate taxes pertaining to the specific property.

Development land as at October 31, 1968	\$ 3,489,876
Acquisitions	1,980,938
	<u>5,470,814</u>
Less:	
Transfer to revenue producing properties - under construction	\$879,322
Land sold	<u>579,624</u>
Balance October 31, 1969	<u>\$ 4,011,868</u>

Land for development with a cost of \$2,581,456.00 has been appraised at \$6,326,000.00 by Arthur Jellis, M.A.I., A.A.C.I., in his reports dated October 15, 1969 and January 10, 1969. The balance of the land with a cost of \$1,430,412.00 has not been appraised as it consists principally of property acquired during the current year. The total of the appraised land value and the unappraised land, at cost, is \$7,756,412.00 resulting in an appraisal surplus of \$3,744,544.00 which is not reflected in the financial statements.

7. Investments - at cost include:

	1969		1968	
	Shares	Advances	Shares	Advances
Unconsolidated subsidiary-Note 1	\$ 704,297		668,638	
Affiliated companies	27,409	95,603	13,350	188,773
Syndicates		1,099,713		
Other - no quoted market value	195,035		244,185	
	<u>\$ 926,741</u>	<u>1,195,316</u>	<u>926,173</u>	<u>188,773</u>

The book value of Allarco's interest in unconsolidated subsidiary and affiliated companies was \$1,076,500 while dividends declared during the year and included in income amounted to \$55,900.

8. Land, Property Plant and Equipment at Cost less accumulated depreciation by division is:

Automotive	\$ 3,682,793
Hotel and restaurants	8,375,423
Real Estate	22,905,224
Aviation (including aircraft)	2,014,998
Other	1,146,312
	<u>\$ 38,124,750</u>

Long-Term Leases.

Four buildings with a total cost of \$15,132,735 are located on land held under 99 year leases, all of which have an unexpired term of over 90 years. The lease obligations on these properties for each of the next five years are \$192,298.00 per year.

9. Deferred Expenses and Other Assets includes:

Pre-opening expenses	\$ 216,852
Goodwill on acquisition of subsidiaries	499,041
Other	52,451
	<u>\$ 768,344</u>

It is Company policy to write off the pre-opening expenses equally over the first five years of full operation of the new business.

The goodwill figure arises principally from the acquisition of Radio Station CHQT Ltd. and Devonian Leaseholds Ltd. (Edmonton Steak Loft and Beachcomber). In the opinion of management the goodwill represents the value of the acquisitions in excess of book value.

10. Bank advances.

Bank advances are secured by a general assignment of book debts and a fixed and floating charge debenture payable on demand.

11. 7% Convertible Sinking Fund Debenture Series "A".

Pursuant to the Trust Deed dated May 2, 1969 the company covenanted to establish a Sinking Fund for the retirement of these Series "A" Debentures by payments of \$175,000.00 each year ending October

31, 1974 to 1987 inclusive. The Debentures are dated June 1, 1969 and will mature June 1, 1989; they are secured by a first floating charge on all of the company's assets. Each \$1,000.00 Debenture is convertible at the holder's option up to October 31, 1974 into 75 fully paid non-assessable common shares of no par value, subsequent to that date, until maturity, into 65 fully paid non-assessable common shares of no par value.

12. Mortgages and agreements payable at an average rate of 7.44% mature between 1970 and 1999.

Principal payments due in the next five fiscal years are:

1970	\$ 1,229,380
1971	1,268,591
1972	1,341,312
1973	1,386,419
1974	1,218,988

13. Debentures and notes payable at an average interest rate of 7.32% mature between 1970 and 1984.

Principal payments due in the next five fiscal years are:

1970	\$ 152,664
1971	246,451
1972	246,606
1973	204,000
1974	764,000

14. Capital Stock.

The authorized capital is 3,500,000 common shares without nominal or par value for a maximum consideration not to exceed \$10,000,000.00.

The issued and fully paid common shares were as follows:

	Number of Shares	Value Received
Balance as at October 31, 1968	20,000	\$ 202
Stock split	980,000	
Issue of shares for cash	250,000	3,000,000
Issue of shares for consideration other than cash	<u>43,077</u>	<u>520,000</u>

Balance as at October 31, 1969	<u>1,293,077</u>	<u>\$ 3,520,202</u>
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The company has granted options to directors (10,000) and employees of the company and its subsidiaries (17,000) to purchase shares at \$12.00 per share. The company has reserved 23,000 shares for options which may be granted in the future.

15. Remuneration to Directors and Senior Officers. \$80,333.00 for the year of which \$12,000.00 was paid by an unconsolidated subsidiary.

16. Commitments.

Construction commitments outstanding at October 31, 1969 amounted to approximately \$5,113,630.00; these are offset by mortgage commitments amounting to \$5,150,000.00.

17. Contingent Liabilities.

The Company is contingently liable as an endorser on customers' secured notes arising from retail sales in the automotive division for the sum of \$2,255,136 and as guarantor for a subsidiary's customer for the sum of \$58,456.

